



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2019-21)**

HUNDRED AND TWENTY SEVENTH REPORT

(Presented on 18.01.2021)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2021

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HUNDRED AND TWENTY SEVENTH REPORT

On

The action taken by Government on the Recommendations contained in the Sixty Eighth Report of the Committee on Public Undertakings (2016-19) relating to Kerala Minerals and Metals Limited, based on the Report of the Comptroller and Auditor General of India for the years ended 31st March 2009 and 2013

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COMMITTEE ON PUBLIC UNDERTAKINGS (2019-21)

COMPOSITION

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Legislature Secretariat:

Shri S.V. Unnikrishnan Nair, Secretary

Shri B. Reji, Joint Secretary

Shri A. Jafarkhan, Deputy Secretary

Smt. Reji D.O., Under Secretary

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2019-21) having been authorised by the Committee to present the Report on their behalf, present this Hundred and Twenty Seventh Report on the Action Taken by Government on the Recommendations contained in the Sixty Eighth Report of the Committee on Public Undertakings (2016-19) relating to Kerala Minerals and Metals Limited, based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 2009 & 2013.

The Statement of Action Taken by the Government included in this Report was considered by the Committee at its meeting held on 15.10.2020.

This Report was considered and approved by the Committee at its meeting held on 15.01.2021.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala, officials from Industrial Department and Kerala Industrial Infrastructure Development Corporation who were present during the examination of the Action Taken Statements included in this Report.

Thiruvananthapuram,
15.01.2021.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Sixty Eighth report of the Committee on Public Undertakings (2016-19) relating to Kerala Minerals and Metals Limited, based on the Report of the Comptroller and Auditor General of India for the years ended 31st March 2009 & 2013.

The Sixty Eighth Report of the Committee on Public Undertakings (2016-19) was presented to the House on 25th June 2018. The Report contained 18 recommendations and the Government furnished replies to all the recommendations.

The Committee considered the replies received from the Government at its meeting held on 15.10.2020.

The Committee accepted the replies to the recommendations in Para Nos. 15, 16, 17, 18, 19, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 & 31 without remarks. These recommendations and the replies furnished by the Government forms Chapter I of this Report.

The Committee accepted the replies to the recommendations in Para Nos. 14 & 20 with remarks. These recommendations, the replies furnished by the Government and remarks of the Committee forms Chapter II of this Report.

CHAPTER - I

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	15	Industries	The Committee recommends that valid agreement should be executed in future incorporating the provisions for fixed price, uninterrupted supply of materials from the suppliers and also incorporating the provision to impose penalty and realise the loss incurred from the supplier in case of premature stopping of supply of items as per the contract.	KMML follows a set of procedures for the purchases as well as works contract and the same have been approved by the Board of Directors of the Company. These procedures are appended with clear conditions to be incorporated in the contract which generally includes liquidated damages for the delay in supply, erection etc. and the percentage of penalty in this line is also included as followed in the General Industrial practices. In addition to the same, Security deposit @5% is insisted during the work completion period. Supplier/Contractor responsibilities are also explained in the contract documents.
				Regarding Committee's observations, Company makes yearly contract with suppliers/contractors for various items like raw materials, painting, Structural works etc., within which the price will be fixed in the tenure period(after inviting

			tenders) and penalties are also incorporated as per the prevailing purchase and work contract procedures.
2.	16.	Industries	The Committee observes that the company did not initiate steps for replacement of the Tickle Pre-heaters even after a lapse of more than five years. The Committee wants to know whether the Tickle Pre-Heater was retained as per the directions of the Central Power Research Institute. The Committee directs to furnish the details in this regard and the present position in replacing the Tickle Pre-Heater. The project was taken up on the basis of the Energy audit done by M/s. Central Power Research Institute, Bangalore, in the year 2008, within which they recommended that there will be fuel savings by improving the efficiency of existing furnaces, In line with the same, the company had taken actions by inviting tender for the replacement of existing two Nos of Tickle pre-heaters with compact and Energy efficient units. Tender was invited for the project during December 2010, August 2013, August 2014, February 2016 and May 2017, of which price bid was opened two times & in the other instances, it had to be re tendered due to various technical reasons. The price quoted in both instances(Respectively Aug 14 and May 17 tender) was almost 100% and 65% higher than the original Government approved project cost of Rs. 10 Crores. Since the quoted rates were substantially higher than the estimates, it was resorted to re-tender during the first price bid opening (Aug 14) whereas during the second time (May 17) decided to obtain Government approval with the revised Project cost & in parallel re-tender.

				The process of filling up of 70 Nos Skilled employees in the Company is under consideration of the company and it is expected that the process to fill such vacancies will be finished by 31.07.2019.
4	18	Industries	The Committee suggests that KMMML should not constrain as a mere separation unit of Ilmenite and hence it should start new units for new products.	Various actions are in line to enhance the TiO2 capacity of the company. Establishing mineral sand based Industrial Complex capable of producing more value added products from mineral sand is now under Government consideration.
5	19	Industries	The Committee suggests that KMMML should give emphasis to by-products in addition to mineral separation. It also suggests to take up mega projects similar to that of China and Japan with the aid of government.	Government had constituted a committee comprising of Chairman (RIAB), Secretary (Industries), MD (KSIDC), MD (KMMML), MD (TTPL), CMD (IREL) & Director (Mining & Geology, Kerala), to prepare and submit a report/proposal to Government for establishing an industrial complex producing different value added downstream products from mineral sand. The committee engaged M/s. Crisil, Mumbai for market study and Crisil had submitted their recommendations to Government . The project is under consideration of Government.
6	21	Industries	The Committee observes that even after acquiring land from the local inhabitants five years back for mining purposes, the Company failed to award adequate compensation to the	Land acquisition for Mining has been carried out with the laid down procedure, with the involvement of the District Collector and in accordance with the statutory provisions. The

			land owners. The Committee vehemently criticizes the Company for evicting local inhabitants without compensation. Committee strongly recommends to the rehabilitate or to award adequate compensation to the local inhabitants who had been evicted from their land for mining purposes and to solve their problems urgently. The Committee wants to be furnished a detailed report on the measures taken for the redressal of the above mentioned grievances.	inhabitants are not evicted without providing compensation. Company has settled all the Land Acquisition issues except in few cases in which family disputes are pending between the members with respect to the land. It will also be settled with respect to the dispute clearance.
22	Industries		The Committee observes that due to the accumulation of solid waste material, the local inhabitants have become susceptible to serious diseases. The Committee points out that the presence of huge quantities of harmful chemicals in the deep soil contaminates the ground water leading to severe drinking water related problems to the people in the vicinity. The Committee recommends to chart out a permanent solution for removing the dumped waste from the area.	The company has initiated activities to resolve the solid waste related issues. The detailed project reports were prepared by engaging consultants KITCO during June 2018 & as proposed by NEEERL. DPR's submitted for the following proposals are awaiting KSPCB approval. 1. Construction of Garland Drain around the solid waste storages to prevent the seepages to the surroundings and to contain any overflows occurs. 2. Remediation of the contaminated land. To recover the soil properties by pumping and injecting lime solution and caustic soda. 3. To maintain the bottom surface of the waste solid storages by in-situ exitu method. Apart from the above, technology of utilizing Geo-Tubes for filling the accumulated solid waste and keeping it securely is being explored. This is in view of the learned information regarding the

				adoption of such technology in successful by the major international firms. KSPCB has agreed the proposal in principle and the updation of DPR is accordingly in progress.
8	23	Industries	The Committee finds that the Company is supplying drinking water to only seven nearby wards and recommends that drinking water should be supplied to all nearby places hit by water pollution.	Company has already installed 4 number of Tube wells and a mini tube well in the surrounding wards. In addition to the same, supplying drinking water to the affected areas through permanent pipe line network and via truck carried portable tanks.
9	24	Industries	The Committee recommends to submit new project proposals before the government inorder to utilize the maximum capacity of the plant and to increase the production capacity of KMMML. It insists that after submitting new projects to the government, proper follow up action should be taken to facilitate approval without delay.	The project proposal for Capacity expansion of Titanium Dioxide from 40000 TPA to 60000 TPA is under consideration of Government. Company takes proper follow up action to the proposals submitted to the Government.
10	25	Industries	The Committee exhorts to settle all disputes concerning labourers and to solve the problems of the local people as well as the labourers, through fruitful discussions with the government, thereby maintaining a healthy atmosphere in the area. It also recommends to enhance the Company's production target to 80-85%.	Company engages LAPA contract workers and tries to make an amicable settlement of all the issues of labourers. KMMML has been targeting 80-85 % of the total annual TiO2 production capacity. TiO2 production in the Financial Year 2017-2018 was 34120 MT, which accounts to 85% of the name plate capacity.
11	26	Industries	The Committee recommends to consider the	As part of developing strategic alliance between

			possibility of a consortium of KMMML, TTPL and IREL for strengthening the mineral Industry.	mineral sand based PSU's like KMMML and IREL, actions are initiated to set up a Joint Venture between KMMML & IREL initially, for the Production of beach mineral sand-based value-added products. This proposal is under the consideration of Government
12	27	Industries	The Committee recommends to renovate all outdated machinery using modern technology and to increase the productivity of the company using new machinery	The renovation/modernization of the plant and machinery is already in progress though in a equipment wise/phased manner. As part of improvement, company plans for the implementation of various projects, which includes the following 1. New 70 TPD Oxygen plant. Expected to be commissioned in September 2019. 2. Distributed Control system in Oxidation & Chlorination plant. Expected to be completed by end Jan 2019. 3. Replacement of old package boiler with new one, which is expected by August 2019. 4. Installation of dedicated fire hydrant system. Expected to be completed by end November 2019. 5. Installation of new hot bag filter in the pigment finishing plant (U-400) is expected to be completed by end July 2019. Apart from the above, many in-house modification and replacement are being carried out as a continuous process.
13	28	Industries	The Committee recommends drastic	While conducting recruitment to the posts in

			settlement of disputes regarding appointment of skilled and unskilled labourers from the local inhabitants and from others by appointment on strict proportionate basis. It also directs to maintain proper record for all kinds of appointments. The Committee suggests to elucidate the favourable attitude of the management in appointing local inhabitants of the territory before the court and file a separate suit for it.	Skilled & unskilled category, preferences given to the people whose land were acquired by the company by treating them in the preferential category.
14	29	Industries	The Committee observes that excess labourers were appointed by KMMML violating the provisions of Factories Act & Rules. The Committee wants to be furnished with the Company's standing order and the documents regarding these appointments.	The shortage of unskilled workers due to the delay occurred in recruitment process with the reasons which were beyond the control of the Company has been temporarily maintained by engaging LAPA contract workers through LAPA Co-Operative Society, as a stop gap arrangement by Labour Supply contract and which was concurred by the Hon'ble High Court of Kerala. MD. KMMML reported that Company have not appointed excess number of workers in any area violating Government Orders in this regard.
15	30	Industries	The Committee appraises that KMMML carries out mining process without environment clearance certificate from the Central Government and that it has achieved only the sanction for lease from the State Government. The Committee directs to furnish all authentic documents relating to mining process like reports, government orders, order sanctioning	Regarding actions on Environmental clearance, company took the following; a. Government extended the mining lease period up to 23.10.2019, for executing mining lease as per the G.O (Ms) No.90/2018/ID; dated 10/12/2018 b. In connection with obtaining Environment

			lease from the government etc.	clearance, public hearing was conducted in March, 2017. c. Final EIA/EMP report submitted to MoEF &CC, Delhi in July, 2017 d. The proposal for Environment clearance was taken up in June, 2018 in EAC meeting and recommended the proposal to be forwarded to the review of violation committee. e. KMMML submitted proposal to take up the proposal for Environment Clearance of KMMML to Ministry of Environment, Forest & Climate Change is under consideration of Government.
16	31	Industries	The Committee understands that the benefits of the amount donated to Collector's Mining Area Welfare Fund by KMMML as part of its social commitment is reaching only a few people. It directs to effect adequate amendment in the policy of the company in order to enable the whole inhabitants of Kollam district to avail the benefits.	As per the implementation of District Mineral Foundation trust fund, as suggested by the committee, District collector is the authority to extend the benefits to the entire districts.

CHAPTER - II

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	14	Industries	The Committee observes that selection of the refractory material of Chlorinator and its supplier was done without assessing the technical stability and without insisting on performance guarantee. The Committee vehemently criticizes that this arbitrary selection of the company without resorting to global tender resulted in an unproductive investment of ₹ 96.95 lakh. The Committee recommends that the company should abide by the procurement rules of Store Purchase Manual and seeks explanation for not realising the loss from the supplier M/s SEPR Refractories. The Committee also seeks the reason for not initiating legal action against the supplier who delivered wrong materials with technical 'default.	Synthetic Rutile is reacted with Chlorine at around 1000 degree Celsius in a vertical reactor known as Chlorinator. KMMML is equipped with 3 No.s of Chlorinators and these reactors are lined with refractory to with Stand the high inside temperature. The less operational life of the existing Electro cast Zirconia refractory was a real issue in utilizing the full capacity of the furnace. The high quality fused cast alumina-zirconia-silica (AZS) bricks could extend more life when compared to the refractory being used. M/s. SEPR was identified as the only indigenous party who had supplied these type of bricks to major TiO2 manufacturer like Dupont. The actual material composition of the brick was not revealed and the item was proprietary in nature. The said work was taken up as part of the technology improvement/up gradation as well as for facilitating capacity expansion initiative to

			60000 TPA (as approved by 197th Board meeting held on 17.03.2010). Actions on the installation of new Chlorinator refractory was also in advance informed to the 198th Board meeting of the company held on 18.06.2010. It was difficult to have an onsite assessment on the performance of these bricks at the TiO₂ producing companies since those companies are operating with guarded technology and they will not permit an outside party for such assessments. The installation of fused cast AZS bricks was taken as an experimental & developmental job on trial basis in one of the Chlorinators. The approval to take actions for ordering was concurred by considering the above facts, on nominated basis and being installed in a furnace operating at higher temperature. The life of brick may depend upon various factors like air infiltration, moisture ingress, on-off cycle etc. These are all extraneous factors not under the control of the supplier and even some of the factors are also beyond the operational control. Hence no guarantee can be expected. Though there was no guarantee for the items, the possibility of recovering any payment from the party was explored with the Legal Counsel of the Company. The Counsel advised that as the work for the installation of chlorinator bricks was under trial basis, that may be successful or become
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			failure. In such case, if it becomes failure, Company cannot claim any compensation and the suit for realizing loss and compensation will be bleak. Further, the court fee will become around Rs.7.5 lakh. As per the legal advice, Company has not initiated further action in the matter.
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Remarks

The Committee opines that the reply furnished by the Government is not sufficient to answer the reason for not abide by the procurement rules of store purchase Manual and why the company couldn't enable the loss from the supplier. The Committee thus directs to furnish a detailed explanation according to the recommendations of the Committee.

2	20	Industries	The Committee observes that KMMML is not in a state to supply adequate amount of Titanium needed in the open market and that they are also not being able to utilize their facilities to foster the mineral industry in Kerala. The Committee recommends to increase the domestic production of Titanium Dioxide Pigment by enhancing the existing potential of the Company. The Committee recommends to establish a mineral industrial complex in Chavara as early as possible after conducting feasibility study. It strongly recommends to submit a detailed project report within six	As part of the capacity enhancement initiatives, Company had engaged M/s. FEDO, Kochi, for the preparation of DPR by conducting the supply-demand analysis of the TiO ₂ pigment in the market. FEDO had submitted their report in the month of March 2018. As per the market study conducted by FEDO, it was revealed that the Indian TiO ₂ demand is above 2.6 Lakh TPA barring the domestic production of 0.54 Lakh TPA. Hence FEDO recommended to increase TiO ₂ pigment capacity from 40000 TPA to 60000 TPA. The total cost estimated for the project is Rs. 998.40 Crores. The project for Capacity
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			months to the government for according administrative sanction for the construction of Mineral based Industrial Complex with the aid of KIFBI as early as possible; by which maximum utilization of mining, production and other related activities in the mineral industry can be brought together.	expansion of Titanium Dioxide from 40000 TPA to 60000 TPA is under consideration of Government. Regarding the project on the establishment of Mineral-Development Complex, the market study and recommendations submitted by Crisil are under consideration of Government.
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Remarks

The Committee observes that the Government intends to implement the construction of the mineral industrial complex with the involvement of experts from IIT and IISC on the basis of the crisis report. The Committee directs to furnish a detailed report on the progress of construction of the mineral industrial complex.

Thiruvananthapuram,
15.01.2021.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.